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ABSTRACT

The impact of the Chapter 2 block grant on large cities and districts was assessed through a comparison of school district funding and spending in the two years before and the two years after block grant implementation. In terms of fiscal effects and patterns, it was found that: (1) the 28 districts studied experienced smaller cuts in the two years after implementation than in the year before it, (2) substantial funding cuts did occur in some of the districts, and (3) second year block grant funding levels showed considerable stability (with some exceptions). In the area of desegregation, 16 of the 24 districts that had Emergency School Aid Act (ESAA) funds in fiscal year 1981 spent at least part of their Chapter 2 funds on desegregation-related activities in 1983-84. Overall, desegregation-related projects accounted for 19 percent of Chapter 2 funding. The money spent on such projects in 1983-84 was, however, only approximately one-quarter of the amount spent two years earlier with ESAA funding. Finally, approximately 14.3 percent of the total Chapter 2 allocations in 1983-84 provided services for private school students; it appears that this was proportionately more than under under the antecedent programs. (CMG)

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BIG DISTRICTS AND THE BLOCK GRANT:

A CROSS-TIME ASSESSMENT OF THE FISCAL IMPACTS

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UD023660

BIG DISTRICTS AND THE BLOCK GRANT: A CROSS-TIME ASSESSMENT OF THE FISCAL IMPACTS

INTRODUCTION

Excellence in education, reduction of administrative burden, and containment of federal expenditures are three major touchstones of the U.S. Department of Education's (ED) policy goals. As a vehicle for achieving these goals, and for increasing the ability of local educators to address their own highest-priority needs, officials in both the executive and legislative branches have promulgated the enactment of block grants. In Chapter 2 of the Education Consolidation and Improvement Act of 1981 (ECIA), the first major block grant designed to provide assistance for elementary and secondary schools (public and private) was passed.

In announcing the Department's proposed FY 1985 budget which contained a request for a 50 percent increase in funding for the block grant, Secretary Bell commented on the far-reaching impact of the National Commission on Excellence in Education report, A Nation at Risk, and noted that "the Chapter 2 Block Grant is the major Department program that can support State and local activities in any of the areas covered by the recommendations of the Commission on Excellence" (ED News, 1984, pp. 1-4).

Congress stated in the 1981 legislation that the purpose of the program is to:

> financially assist State and local educational agencies to improve elementary and secondary education . . . in a manner designed to greatly reduce the enormous administrative and paperwork burden imposed on schools. (Section 561(a))

Along with promises to reduce paperwork, Congress also reduced the funding level from $510 million under the antecedent programs in FY 1981 to $451 million for state and local educational agencies under the first year appropriation for the block grant (FY 1982).[1]

Chapter 2 consolidated 28 federally funded categorical programs into a single block grant. Most of the relatively small programs authorized by the Elementary and

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[1]This $451 million funding level excludes the 6 percent set-aside for the Secretary of Education's discretionary fund.

Secondary Education Act (ESEA) of 1965 were eliminated by the block grant (e.g., Title II, Basic Skills Improvement and the Inexpensive Book Distribution Program; Title III, Special Projects for education in metrics, consumer, youth employment, etc.as well as numerous programs authorized by Titles IV, V, VI, VIII, and IX of this Act). Also consolidated were the Alcohol and Drug Abuse Education Act, the Teacher Corps Program, the Follow Through Act, the Precollege Science Teacher Training Program, and the Career Education Incentive Act.

The largest of the antecedent programs, Title IV-B of the Elementary and Secondary Education Act (ESEA), distributed funds through state educational agencies (SEAs) to local school districts through a **formula** grant based on the number of school-aged children. These Title IV-B ESEA funds were used primarily to purchase books, equipment, and other instructional materials. State, local, and other educational agencies had to compete for the funds from the other 27 funded antecedent programs, which accounted for over two-thirds of antecedent program funding levels in FY 1981. The largest of these competitive grants were funded by the Emergency School Aid Act (ESAA) to assist school disricts undergoing desegregation. Funds appropriated to the ESAA program in FY 1981 totaled almost $149 million. Because these funds were concentrated in a relatively small number of districts, most ESAA recipients were awarded sizeable grants, often in excess of $1 million annually.

In contrast to the relatively concentrated, competitive funding awards characteristic of most antecedent programs, Chapter 2 distributes funds to states on the basis of each state's share of the country's school-aged population, with special funding considerations for the territories and small states. States then send at least 80 percent of their Chapter 2 allocation to local education agencies (LEAs) by applying a state-developed formula which combines enrollment with "high-cost" factor adjustments. Most states have adopted Chapter 2 distribution formulas similar to the ones earlier used to distribute Title IV-B ESEA funds, with considerable variability in how states define and weight "high-cost" children (Henderson, 1983).[2]

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[2]The SEA must distribute at least 80 percent of its Chapter 2 allocation according to the relative public and private school enrollment of each LEA adjusted to provide higher allocations to LEAs with the greatest number or percentage of high-cost children such as those from low-income families and those living in sparcely populated or economically depressed areas.

An overall funding cut of approximately 12 percent in the first year of the block grant and the more distributive nature of the Chapter 2 allocation formulas compared to competitive procedures have focused considerable attention on the fiscal effects of the Chapter 2 block grant, and particularly on the nation's largest school districts. For example, in recent hearings on the Chapter 2 block grant, Chairman of the House of Representative's Intergovernmental Relations and Human Resources Subcommittee, Ted Weiss, and many of the organizations and individuals testifying before this Subcommittee expressed concerns about the effects of the block grant on large and urban districts which enroll large proportions of poor, minority, and educationally disadvantaged children. Witnesses testified that:

- Disproportionate financial losses have occurred in large districts and cities as a result of consolidation.
- Many large districts are expending relatively little or none of their Chapter 2 funds for desegregation activities.
- Especially in large districts and urban areas, private school students are capturing a larger proportion of federal funds under Chapter 2 than they had from the antecedent programs.

In the remainder of this paper, we present our approach and findings in examining each of these three issues.

OBJECTIVES AND METHODOLOGY

In order to assess the fiscal effects of the Chapter 2 block grant on large districts and cities we developed a four-year funding history for the nation's largest districts and cities. This funding history includes amounts received from the antecedent programs during each of two years prior to the block grant and the amounts received in each of the two years since Chapter 2's implementation.

Sample Selection

We selected our sample through a two-part process. First, we included in our sample the 20 school districts with the largest total enrollments. Then we added to our sample those districts that are located in the 20 largest U.S. cities. The two subsets overlapped, leaving us with a final sample of 28 school districts.

In rank order[3], according to public school enrollment, the 20 largest districts are:

(1) New York, NY
(2) Los Angeles, CA
(3) Chicago, IL
(4) Philadelphia, PA
(5) Dade County, FL
(6) Detroit, MI
(7) Hawaii
(8) Houston, TX
(9) Prince George's County, MD
(10) Baltimore City, MD
(11) Broward County, FL
(12) Fairfax County, VA
(13) Dallas, TX
(14) Memphis, TN
(15) San Diego, CA
(16) Hillsborough County, FL
(17) Washington, DC
(18) Baltimore County, MD
(19) Duval County, FL
(20) Montgomery County, MD

In addition 8 districts located in the 20 largest cities, but not among the 20 largest districts, were included in the sample. Listed in rank order[4] according to public school enrollment, they are:

(1) Boston, MA
(2) Cleveland, OH
(3) Milwaukee, WI
(4) Columbus, OH
(5) Indianapolis, IN
(6) San Antonio, TX
(7) San Francisco, CA
(8) San Jose, CA

Characteristics of the Sample Districts

This sample includes districts in 15 states and the District of Columbia--12 in the South, 3 in the Northeast, 7 in the North Central, and 6 in the West.[5]

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[3]Puerto Rico was excluded from this sample since the set-aside appropriations under some of the antecedent programs for Puerto Rico precluded cross-time comparisons comparable to other districts in this sample. While Phoenix, Arizona is ranked as the eleventh largest city, it was excluded because 13 separate districts operate public elementary and secondary programs in Phoenix. Rank ordering is based on enrollment data from the most recently revised (September 1980) Market Data Retrieval Tape (MDR). Using enrollment data collected from a September 1983 survey conducted by Education Week, it was determined that while the rank ordering varied slightly using 1980 MDR versus 1983 enrollment data, the same 20 districts had the largest public school enrollments in both 1980 and 1983.

[4]Honolulu was ranked as the 12th largest city; however, because Hawaii operates a single school system, the state of Hawaii rather than Honolulu was included in the sample.

[5]Regional divisions are those used by the U.S. Department of Commerce Bureau of the Census, in Current Population Survey tabulations.

These 28 districts enroll approximately 11 percent of the country's elementary and secondary public school students. The total Chapter 2 funding received by these districts, including both formula and state discretionary grants, accounts for approximately 14 percent of the total FY 1983 block grant appropriations to the 50 states, the District of Columbia, and Puerto Rico. In comparison, they received approximately 18 percent of total appropriations for the antecedent programs in FY 1980 and FY 1981 (18.4% and 17.7%, respectively). Twenty-four of these districts operated ESAA programs in FY 1980 or FY 1981.

Data were collected for each of the sample districts to determine whether there were relationships between changes in funding levels (antecedent programs vs. block grant allocations) and certain state and local characteristics. These characteristics and data sources are presented in Exhibit 1.

Sources of Data. Complete fiscal data for the sample districts' federally administered antecedent programs in FY 1980 and FY 1981 were obtained from the Assistance Management Procurement Service (AMPS) file. The General Education Provision Act (GEPA) data file contained allocation data for the state administered programs in FY 1980 for 16 of the sample districts. We relied on a combination of Council of Great City School data and a limited number of telephone interviews with state and federal officials to obtain allocation figures for the state administered programs in 12 districts for FY 1980 and the 28 districts in FY 1981. Block grant funding levels for these districts were obtained from on-going Chapter 2 studies, officials from ED's Chapter 2 program office, and phone interviews with state and local Chapter 2 officials.

FINDINGS

A Contextual Overview

In considering the fiscal effects of the Chapter 2 block grant on large school districts, it is important to recognize that the $451 million budgeted for state and local programs under Chapter 2 during the 1982-83 school year accounted for only a small part (less than 8%) of the total ED funding for elementary and secondary schools. In fact, Chapter 2 funds represent less than one percent of most districts' budgets.

EXHIBIT 1

DISTRICT CHARACTERISTICS EXAMINED AND DATA SOURCES

DISTRICT CHARACTERISTIC	DATA SOURCE	DATE
1980-1981 enrollment	Market Data Retrieval tape	September 1981
1982-1983 enrollment	Education Week survey	September 1983
Percent non-white	Office for Civil Rights tape	1979-80
Poverty level (Orshansky index)	Market Data Retrieval tape	September 1980
Per-pupil expenditure	National Center for Education Statistics tables	1979-80
District tax effort index	Bureau of Census tables	1979-80
Percent of district budget from Federal, state, local sources	National Center for Education Statistics table	1979-80
Region	Bureau of Census tables	1979-80
Percent of State Chapter 2, ECIA set-aside	ED tables	1982-83
Chapter 2, ECIA "high-cost" student distribution formula	National Committee for Citizens in Education table	1982-83
Future state fiscal capacity indicator	School Finance Study report	1982
Desegregation plan status	Office for Civil Rights tape	1979-80
Allocations of Antecedent programs	Assistance Management Procurement System files, General Education Provision Act files, U.S. Department of Education tables, Council of Great City Schools tables, interview data	FY 1980 and FY 1981

A number of analyses (e.g. AASA, 1984 and Casserly, 1983) have also pointed to the fact that one needs to consider the amount and proportion of dollars provided to private school students under both the antecedent programs and the block grant to assess the fiscal impacts of the block grant on large districts. Reliable data are simply unavailable for the amounts expended on private school students under the antecedent programs for most districts in our sample. We do, however, discuss later in this paper the amount of funds spent on private school students in the sample school districts during the 1983-84 school year.

Cross-time Patterns

Exhibit 2 presents a four-year budget history for the antecedent programs and the block grant in each of the sample districts. It should be noted that the Chapter 2, ECIA total funding levels cited throughout this analysis include formula amounts and any discretionary grants funded by Chapter 2. These discretionary grants are also discussed in more detail later in the report.

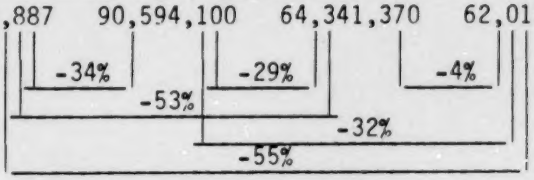
Overall, these large districts had less than half the funds under the block grant in FY 1983 (i.e., for school year 1983-84) than they did three years earlier (in school year 1980-81), even though four of the districts (Baltimore City, Chicago, Dade County and Fairfax County) recognized substantial increases. Fifteen of the twenty-eight districts suffered multi-million dollar losses over this four-year period.

It is worth noting that these large districts, as a group, experienced **smaller** cuts in the **two years since** the block grant's implementation than they did in the **one year prior** to consolidation. In effect, large districts were suffering from the erosion of political support for the antecedent programs **before** the programs were folded into the block grant. In light of these findings, it could almost be argued that the block grant may actually have protected these large districts from even greater cuts in funding had the antecedent programs remained intact. However, since the block grant was implemented, the cuts in these districts have been substantial. In aggregate, these districts lost almost one-third (31.5%) of the funds they had during the last year of the antecedent programs.

EXHIBIT 2:

FISCAL EFFECTS OF THE CHAPTER 2, ECIA BLOCK GRANT
ON THE 28 LARGEST DISTRICTS AND CITIES: A CROSS-TIME COMPARISON
FY 1980-83

DISTRICTS	ANTECEDENT PROGRAMS FY 1980	FY 1981	CHAPTER 2 FY 1982	FY 1983
Baltimore, MD	$ 1,705,186	1,176,254	1,426,865	1,396,043
Baltimore County, MD	550,153	627,978	839,296	780,498
Boston, MA	3,332,080	659,003	1,401,493	1,359,804
Broward County, FL	2,728,367	1,882,336	1,224,829	1,279,703
Chicago, IL	3,449,658	6,784,273	6,358,256	6,016,536
Cleveland, OH	15,499,068	4,968,874	1,234,187	1,016,469
Columbus, OH	5,732,335	3,537,746	758,240	693,450
Dade County, FL	2,820,046	2,624,959	3,097,906	3,188,273
Dallas, TX	3,975,387	2,654,230	1,510,968	1,495,068
Detroit, MI	7,304,073	4,530,600	3,381,582	3,339,932
Duval County, FL	1,312,159	781,170	826,376	865,697
Fairfax County, VA	395,056	510,019	630,952	642,664
Hawaii	4,007,518	1,859,155	2,187,360	2,229,304
Hillsborough County, FL	1,161,350	865,098	967,018	1,018,491
Houston, TX	2,779,482	2,149,607	1,926,578	2,021,180
Indianapolis, IN	2,045,240	3,028,517	732,660	693,415
Los Angeles, CA	19,817,260	10,458,362	8,077,423	7,238,344
Memphis, TN	1,249,441	1,043,532	1,051,279	1,068,897
Milwaukee, WI	8,527,592	7,835,647	2,695,606	1,667,441
Montgomery County, MD	1,185,515	835,105	870,055	824,083
New York, NY	21,165,781	14,525,752	11,554,866	12,162,857
Philadelphia, PA	8,781,436	5,609,099	4,191,278	4,140,673
Prince George's County, MD	1,399,733	571,588	1,043,399	954,369
San Antonio, TX	760,272	622,759	676,220	659,542
San Diego, CA	6,085,316	3,828,801	2,295,143	2,342,614
San Francisco, CA	2,340,442	1,610,144	1,051,682	950,337
San Jose, CA	495,056	390,892	142,493	181,353
Washington, DC	6,445,885	4,622,630	2,187,630	1,788,125
Total	$ 137,040,887	90,594,100	64,341,370	62,015,162



But overall comparisons, mask significant differential fiscal patterns in large districts under the block grant. Eleven of the large districts actually had more to spend in the current school year from the block grant than they did from the antecedent programs in FY 1981. (These are listed in Exhibit 3). On the other hand, not only did more of these large districts lose funds under the block grant (17 losers vs. 11 winners) during these two years, their cuts are more than 10 times the magnitude of the sample districts' overall gains.

As shown in Exhibit 4, six of the districts experienced gains in **both** years since the start of the block grant. More than half of the seven **county** districts in the sample gained in both years since the block grant; **none** lost program funds in both of these years.

Eleven of the twenty-eight districts lost funds under both years of the block grant. Distrcts which suffered the largest proportional losses under the first year of Chapter 2 generally continued to lose funds during the second year of the block grant (e.g., Cleveland, Columbus, Indianapolis, and Milwaukee). This "double whammy" generally occurred because districts had been partially protected from the full effect of the block grant in the first year, usually through de facto "hold harmless" formula weighting factors or through various discretionary grants funded by state Chapter 2 set-aside amounts or carry-over funds. Especially in the case of carry-over funds (e.g., in Ohio districts), these protective strategies were in full effect only in the first year of Chapter 2.

While there are notable exceptions, the second-year block grant funding levels show considerable stability compared to the substantial funding shifts experienced by most sample districts in the two previous years. Only 5 districts in school year 1983-84 experienced more than a 10 percent change from what they had received under their first-year Chapter 2 budgets. These large districts, as a group, lost another $2.3 million during the second year of the block grant, but such erosion appears marginal in comparison to the $26.3 million loss during the first year of the block grant and to the $46.4 million drop the year prior to Chapter 2's implementation.

EXHIBIT 3
BIG DISTRICT
WINNERS AND LOSERS
UNDER THE BLOCK GRANT,
FY 1981 - FY 1983

BLOCK GRANT WINNERS	AMOUNT INCREASE	BLOCK GRANT LOSERS	AMOUNT DECREASE
Baltimore	$ 219,789	Broward Co.	$ 602,633
Baltimore Co.	152,520	Chicago	767,737
Boston	700,801	Cleveland	3,952,405
Dade Co.	563,314	Columbus	2,844,296
Duval Co.	84,520	Dallas	1,159,162
Fairfax Co.	2,645	Detroit	1,190,668
Hawaii	370,147	Houston	128,427
Hillsborough Co.	51,473	Indianapolis	2,335,102
Memphis	25,365	Los Angeles	3,220,018
Prince George's Co.	382,781	Milwaukee	6,168,206
San Antonio	36,783	Montgomery	11,022
		New York	2,362,895
		Philadelphia	1,468,187
		San Diego	1,486,187
		San Francisco	659,807
		San Jose	209,539
		Washington, DC	2,834,505
TOTAL	$2,720,138		$31,401,035

EXHIBIT 4

CROSS-TIME FUNDING PATTERNS
UNDER THE BLOCK GRANT

I. WIN/WIN

District	FY81 to FY82 % change	FY82 to FY83 % change
Dade Co.	+18.0	+2.9
Duval Co.	+ 5.8	+4.8
Fairfax Co.	+23.7	+1.9
Hawaii	+17.7	+1.9
Hillsborough Co.	+11.3	+5.3
Memphis	+ 0.7	+1.7

II. LOSE/WIN

District	FY81 to FY82 % change	FY82 to FY83 % change
Broward Co.	-34.9	+ 4.5
Houston	-10.4	+ 4.9
New York	-20.5	+ 5.3
San Diego	-40.1	+ 2.1
San Jose	-21.0	+27.3

III. WIN/LOSE

District	FY81 to FY82 % change	FY82 to FY83 % change
Baltimore	+ 21.3	-2.2
Baltimore Co.	+ 33.7	-7.0
Boston	+112.7	-3.0
Montgomery Co.	+ 4.2	-5.3
Prince George's Co.	+ 82.5	-8.5
San Antonio	+ 8.6	-2.5

IV. LOSE/LOSE

District	FY81 to FY82 % change	FY82 to FY83 % change
Chicago	- 6.3	- 5.4
Cleveland	-75.2	-17.6
Columbus	-78.6	- 8.5
Dallas	-43.1	- 1.1
Detroit	-25.4	- 1.2
Indianapolis	-75.8	- 5.4
Los Angeles	-22.8	-10.4
Milwaukee	-65.6	-38.1
Philadelphia	-25.3	- 1.2
San Francisco	-34.7	- 9.6
Washington, DC	-52.7	-18.3

Both San Jose, which posted a 27 percent gain in FY 1983, and Milwaukee, which suffered a 38 percent loss in this year, represent notable exceptions to the relatively stable second-year funding patterns for this sample of large districts. A brief explication of these two second-year anomalies illustrate some of the forces affecting the funding patterns in many large districts.

For FY 1982 (the first year of the block grant), California built into its Chapter 2 formula a weighting factor which had the effect of offering former recipients of large ESAA grants in the state (e.g., San Diego, San Francisco, and Los Angeles) partial hold harmless protection. Since San Jose was not an ESAA recipient, this district in effect took a larger first year block grant cut (a 63 percent cut) than it would have without such a state weighting factor. In FY 1983, this weighting factor was modified, resulting in a substantial increase for San Jose.

For its enrollment size, Milwaukee had an enormous ESAA grant in FY 1981. Its $6.9 million ESAA award exceeded the amount New York City received that year from the program and rivaled the size of Los Angeles' ESAA allocation. Almost 90 percent of its funding level from antecedent programs in FY 1981 was concentrated in its ESAA award. Milwaukee took almost a two-thirds cut in its aggregate antecedent funding level during the first year of the block grant, reducing its the overall funding level to $2.7 million. While Milwaukee suffered one of the largest first-year cuts, the district was partially buffered from the full effect of its ESAA losses that year by two funding decisions at the state level. By heavily weighting Chapter 1, ECIA eligible children from AFDC families in its "high cost" Chapter 2 distribution formula, the state in effect provided Milwaukee roughly an additional $500,000 to soften the effect of the block grant. The state also awarded a $500,000 discretionary grant to Milwaukee during the first year of the block grant. Discontinuation of this discretionary grant and a reduced weighting of Chapter 1 eligible children in Wisconsin's Chapter 2 distribution formula resulted in an additional $1 million dollar loss for Milwaukee in FY 1984. Even at this reduced allocation level, the Chapter 2 state coordinator reported that Milwaukee's per pupil Chapter 2 allocation is in the top 5 percent of the nation.

The funding patterns in these two anomalous districts highlight two major findings which were documented in a study of the first year fiscal impacts of Chapter 2 in large districts (Jung and Tashjian, 1982) and which are reinforced in this cross-time analysis:

- Of all the district characteristics that we examined, by far the most important predictors of the net funding change under Chapter 2 were: (1) whether a district was a former ESAA recipient, and (2) the amount of ESAA funds that a district received.

- Discretionary grants funded out of the states' 20 percent Chapter 2 set-aside partially ameliorated the first year losses of many former ESAA grant recipients in the sample.

Factors Affecting Cross-Time Patterns. Districts with the largest ESAA grants prior to consolidation generally suffered the heaviest cuts under the first year of the block grant. Each of the 4 districts that experienced the greatest percentage decline in funding under the first year of the block grant had received a multi-million-dollar ESAA grant in 1981. On the other hand, none of the 12 winners under the first year of the block grant had received ESAA grants in excess of $600,000 during FY 1981. The average change in funding under first year of the block grant in the 4 districts that had not received ESAA grants was a 12 percent increase; by contrast, the 24 districts that had received ESAA funds in FY 1981 experienced an average funding loss under the first year of the block grant of 31 percent. Moreover, of the 11 districts that lost more than $1 million during the first year of the block grant, 10 had received multi-million-dollar ESAA grants in FY 1981.

Correspondingly, those districts in our sample operating under court-ordered desegregation plans -- the same districts that had usually received sizeable ESAA grants -- took larger proportional cuts under the block grant than did districts that were operating under voluntary desegregation plans or that had no desegregation plan. We found no relationships between funding patterns under the block grant and a district's regional location, its poverty level, or its local tax structure. The percentage of a district's budget derived from federal sources proved unrelated, as did the consideration given to "high-cost" students in a state's Chapter 2 distribution formula. Nor did we find any relationship between funding patterns under the block grant and a state's future fiscal capacity indicator.

Discretionary Programs. The statute allows each state to set aside up to 20 percent of its total Chapter 2 allotment for administrative and special purposes. During the first year of the block grant, some states allocated large portions of their set-asides to fund discretionary grants (alternately called "competitive," "incentive," or "mini-grants"). Overall, states varied widely in both the amounts and the proportions of the Chapter 2 set-asides that they targeted for discretionary grants to local districts in the block grant's first year. Maryland, which represents one extreme among the seven states that we investigated, spent approximately 70 percent of its first-year Chapter 2 set-aside on more than a dozen mini-grant programs. At the other extreme, Indiana allocated less than 17 percent of its first-year Chapter 2 set-aside for discretionary grants.

As indicated in Exhibit 5, however, many states had retreated from discretionary Chapter 2 grants during the second year of Chapter 2. Overall, the largest districts in this sample lost over $1 million of discretionary awards they had received during the first year of the block grant. In fact, almost half (46%) of the **overall** decline in funding during the second year of the block grant for these large districts resulted from the elimination or reduction of discretionary grant awards in FY 1983.

Use of Chapter 2 Funds for Desegregation Activities

Several witnesses testifying at congressional hearings on Chapter 2 expressed concern about the possible reduction of expenditures on desegregation activities resulting from the consolidation of the ESAA program into the education block grant. An early study of the block grant (AASA, 1983) also reported fewer than 6 percent of the districts it surveyed were supporting desegregation-related activities under Chapter 2. (It should be noted, however, that fewer than 3 percent of the nation's districts received ESAA grants prior to the Chapter 2 consolidation.) We, therefore, asked state and local officials responsible for administering Chapter 2 projects in our sample districts about the amount of their FY 1983 block grant funds used for desegregation-related activities.[6]

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[6]LEAs in the sample supported a broad range of desegregation-related projects under both ESAA and Chapter 2, including for example: school and community outreach initiatives, guards at dangerous intersections, counselling, English-as-second-language classes, and alternative learning centers.

EXHIBIT 5

THE DECLINE IN CHAPTER 2 DISCRETIONARY GRANTS*

	CHAPTER 2 Discretionary Grant(s) Amounts		Amount of Change FY 1982 to FY 1983
	FY 1982	FY 1983	
Los Angeles, CA	$ 15,506	$ 0	$ -15,506
San Diego, CA	0	0	0
San Francisco, CA	0	0	0
San Jose, CA	3,000	0	-3,000
Broward Co., FL	32,600	27,222	-5,378
Dade Co., FL	937,212	832,212	-105,000
Duval Co., FL	0	0	0
Hillsborough Co., FL	14,000	17,014	+3,014
Chicago, IL	26,537	248,000****	+221,463
Indianapolis, IN	22,332	10,000****	-12,332
Boston, MA	0	0	0
Baltimore City, MD	67,987	13,000****	-54,987
Baltimore Co., MD	36,690	0	-36,690
Montgomery Co., MD	56,796	15,000****	-41,796
Prince George's Co., MD	77,690	16,219	-61,471
Detroit, MI	40,000	40,000	0
New York, NY	556,714	433,250	-123,464
Cleveland, OH	224,000**	0	-224,000
Columbus, OH	61,980**	0	-61,980
Philadelphia, PA	124,141	101,946	-22,195
Memphis, TN	0	0	0
Dallas, TX	416,328***	409,598	-6,730
Houston, TX	337,153***	327,403	-9,750
San Antonio, TX	52,530***	49,980	-2,550
Milwaukee, WI	500,000	0	-500,000
Fairfax Co., VA	8,333***	10,000****	+1,667
TOTAL	$3,611,529	$2,550,844	$-1,060,685

*Hawaii and Washington, DC are not included in this exhibit. Each is in effect an LEA and an SEA, and therefore, can not suballocate state set-aside funds under discretionary grant competitions.

**FY82 Chapter 2 discretionary grant awards to LEAs and intermediary units in Ohio funded by FY81 carryover funds from antecedent programs.

***Part of these funds were generated by the school district for a consortium which may be used by any unit in consortium.

****Estimated amount reported by state or district official.

EXHIBIT 6
A COMPARISON OF ESAA AND BLOCK GRANT DESEGREGATION EXPENDITURES

DISTRICTS	ESAA GRANT 1981-82 SCHOOL YEAR	DESEGREGATION ACTIVITIES EXPENDITURE 1983-84 SCHOOL YEAR UNDER CHAPTER 2	AMOUNT INCREASE OR DECREASE
Baltimore	$ 0	$ 83,562	+83,562
Baltimore Co.	0	138,850	+138,850
Boston	63,322	75,000*	+11,678
Broward	1,405,514	0	-1,405,514
Chicago	1,813,025	1,487,565	-325,460
Cleveland	4,160,674	0	-4,160,674
Columbus	3,171,562	285,680	-2,885,882
Dade Co.	593,580	382,058	-211,522
Dallas	1,770,012	131,016	-1,638,996
Detroit	3,388,321	3,292,856	-95,465
Duval Co.	314,287	0	-314,287
Fairfax Co.	0	0	0
Hawaii	444,170	0	-444,170
Hillsborough Co.	511,020	530,774	+19,754
Houston	1,414,730	198,108	-1,216,622
Indianapolis	1,985,275	0	-1,985,275
Los Angeles	6,958,231	0	-6,958,231
Memphis	389,511	0	-389,511
Milwaukee	6,866,250	1,442,403	-5,423,847
Montgomery Co.	319,350	409,220	+89,870
New York	6,184,208	550,000*	-5,634,208
Philadelphia	2,909,555	1,593,342	-1,316,213
Prince George's Co.	4,555	411,146	+406,591
San Antonio	215,985	197,873	-18,112
San Diego	2,989,351	0	-2,989,351
San Francisco	882,339	413,000*	-469,339
San Jose	0	0	0
Washington, DC	573,642	32,413	-541,229
TOTAL	$ 49,328,469	$ 11,654,866	$-37,673,603

*Estimated expenditure reported by state or district officials.

The data we collected (summarized in Exhibit 6) **only partially justifies** such a concern. We found that two-thirds of these large districts which had received ESAA funds in FY 1981 spent at least some portion of their Chapter 2 funds on desegregation activities during the 1983-84 school year. In fact, 2 of the districts, Detroit and Milwaukee, reported using all of their Chapter 2 formula funds for public school students on former ESAA projects. Six of the districts actually reported spending more on desegregation programs out of their Chapter 2 funds in school year 1983-84 than they had received during the last year of the ESAA program.

Thus, even though AASA found that fewer than 6 percent of the districts responding to its survey were supporting desegregation activities under Chapter 2, our findings demonstrate that most former ESAA districts continued at some least level of support for such activities with their block grant moneys. In fact, the $11.7 million these districts spent on desegregation-related projects under Chapter 2 in FY 1983 represents approximately 19 percent of their total block grant funding level for that year. By way of comparison, over half (54%) of the funds these districts received from the antecedent programs in FY 1981 were from the ESAA program.

Due primarily to significant funding cuts in former ESAA districts, these large districts, however, were only spending one-quarter of the amount on desegregation activities in school year 1983-84 than they had received from ESAA two years earlier. Eight former ESAA districts in the sample reported supporting no desegregation-related activities with their FY 1983 Chapter 2 allocations.

Services to Private School Students

In the nation's 20 largest cities and school districts, approximately 14.3 percent of the funds provided in school year 1983-84 were allocated for services to students attending private schools (see Exhibit 7). That proportion shows tremendous variability across our sample. Five districts allotted over 20 percent of their total available funds for services to students in private schools (Boston, New York, San Francisco, Cleveland, and Baltimore County), while 6 districts allotted less than 5 percent (Detroit, Prince George's County, Montgomery County, Dallas, Fairfax County, and Hawaii).

EXHIBIT 7:

CHAPTER 2 PUBLIC/PRIVATE SCHOOL ALLOCATIONS:
SCHOOL YEAR 1983-84

	TOTAL BLOCK[1] GRANT AMOUNT	SERVICES FOR PUBLIC SCHOOLS	SERVICES FOR PRIVATE SCHOOLS	PERCENT[2] PRIVATE
Baltimore, MD	$ 1,396,043	1,371,290	197,577	14.2 %
Baltimore County, MD	780,498	624,279	156,219	20.0
Boston, MA	1,359,804	1,033,442	326,362	24.0
Broward County, FL	1,279,703	1,129,703	150,000	11.7
Chicago, IL	6,016,536	5,084,324	932,212	15.4
Cleveland, OH	1,016,469	782,445	234,024	23.0
Columbus, OH	693,450	590,713	102,737	14.8
Dade County, FL	3,188,273	2,978,243	210,030	6.6
Dallas, TX	1,495,068	1,426,762	68,306	4.6
Detroit, MI	3,339,932	3,272,856	67,076	2.0
Duval County, FL	865,697	779,319	86,378	10.0
Fairfax County, VA	642,664	612,665	29,999	4.7
Hawaii	2,229,304	2,120,218	109,086	4.9
Hillsborough County, FL	1,018,491	936,726	81,765	8.0
Houston, TX	2,021,180	1,904,952	116,228	5.8
Indianapolis, IN	693,415	640,744	52,671	7.6
Los Angeles, CA	7,238,344	6,151,797	1,086,547	15.0
Memphis, TN	1,068,897	945,318	123,579	11.6
Milwaukee, WI	1,667,441	1,442,403	225,038	13.5
Montgomery County, MD	824,083	796,454	27,629	3.4
New York, NY	12,162,857	9,255,594	2,907,263	23.9
Philadelphia, PA	4,140,673	3,447,312	693,361	16.7
Prince George's County, MD	954,369	933,695	20,674	2.2
San Antonio, TX	659,542	611,651	47,801	7.2
San Diego, CA	2,342,614	2,050,403	292,211	12.5
San Francisco, CA	950,337	724,337	226,000	23.8
San Jose, CA	181,353	159,104	22,249	12.3
Washington, DC	1,788,125	1,497,616	290,509	16.2
Total	$ 62,015,162	53,304,365	8,883,621	14.3

1 Includes formula and discretionary grants, if any.

2 The percentages in Column 4 (obtained by dividing Column 3 by Column 1) may slightly underestimate the actual percentages allotted to the private schools, since monies distributed through discretionary grants may also be used to provide services to children in the non-public schools.

The estimates of 1983-84 participation of private school students in the Chapter 2 program is consistent with figures released in October, 1983 by the Council of the Great City Schools, which calculated the proportion of the 1982-83 block grant spent on private school services. The Council published figures showing that 14.7 percent of the block grant funds allocated to their 32 urban districts was reserved for the private schools.

This estimate of private school participation in the block grant is also fairly consistent with information recently published by the American Association of School Administrators (AASA, 1984). AASA reported on information collected in urban school districts in the 15 states with the largest private school enrollments. For the 30 districts able to provide information on the portions of their block grant reserved for private school services, AASA calculated that amount to be 15.6 percent of the total allocation, a figure that does not radically differ from the 14.3 percent for the large cities and districts reported on in this paper, even though AASA purposefully focused on states with relatively high enrollments of private school children.

However, two factors may introduce bias into the estimates of percentages reserved for private school services -- funds may have been provided to the private schools from sources supplemental to the formula allotment, and funds reserved for the private school students may have been turned down by private schools deciding not to participate in Chapter 2. We were not able to ascertain the portions of discretionary funds received by school districts that were allocated for services to private school students. The amount a school district reserved for services to private school students was invariably calculated as a percentage only of its formula allocation. Districts that received additional funds (usually from the state's 20 percent set-aside) indicated that equitable distribution of those funds did take place for private school students; however, those amounts were usually not available. This may have resulted in a slight underestimate of the percentage of funds used for services to children in private schools.

A factor that may have caused us to overestimate the amounts used by the private schools may also be present. We did not ascertain from the districts in our

study whether the full amount reserved for services to private school students were in fact claimed by the private schools. Since some private schools may have chosen not to participate in Chapter 2, it is possible that portions of the amount reserved for the non-public sector may have been returned to the public sector. If that happened, the funds should then have been divided equitably between the participating public and private schools.

Comparison of Services to Private School Children under the Antecedent Programs. Very little systematic information is available on services to private school children under the programs that were consolidated into Chapter 2. Some of the antecedent programs had strong requirements for the equitable provision of services to children in private schools (e.g. Title IV-B); others did not. Three early studies of Title IV (McKee, 1977; Elmore and McLaughlin, 1977; ED, 1980) agreed that participation of eligible non-public school students was uneven. While the majority of eligible non-public school students received IV-B services as of 1980, ED estimated that only one-quarter to one-third of the Title IV-C projects included students in private schools.

It is likely that the clarity and priority placed in Chapter 2 upon equitable services has resulted nationally in a substantially greater proportion of program resources being provided to children who are not public school students. As a synthesis paper of the findings obtained from case studies of implementation of the block grant in nine states reported, ". . . the formula allocation provides in almost every instance that more services will be available to private school children under Chapter 2 than had been under the antecedent programs" (Kyle, 1983).

CONCLUSIONS

The education block grant has now been in place for two school years. Since the block grant represented a substantial shift in the policies governing how states and local school districts should receive federal assistance, a tremendous amount of interest has been evidenced by federal, state and local educators and officials regarding the implementation and effects of the block grant. In this paper, we have addressed three areas which have stimulated substantial debate (e.g., as evidence during the oversight hearings conducted by the House subcommittee on intergovernmental relations): the

fiscal effects brought about by Chapter 2 on the large school districts, the status in these districts of desgregation-related efforts, and the level of participation of private school students. Some of our more significant findings are summarized below for each of these areas.

Fiscal Effects and Patterns

- Overall, the nation's largest cities and school districts experienced smaller cuts in the two years since the implementation of the block grant than they did in the one year proir to its enactment. The erosion of political and financial support for some of the antecedent programs already evident in FY 1981 seems to have had a more significant effect on funding levels for the large districts than did the redistributional effects of Chapter 2. In the last year of the antecedent programs, funding from the previous year was reduced by 34 percent for the districts in this study. In the transition to the block grant, overall funding was cut by an additional 29 percent, but from the first to the second year of the block grant funds were reduced by only about 4 percent in our large district sample.

- Nevertheless, substantial cuts in funding have occurred in some large districts since the block grant was enacted. Eleven of the twenty-eight districts in our sample lost funds under both years of the block grant. Further, when comparing the districts that gained funds between 1981 and 1983 to those that had their funding support reduced over this two-year period, the reductions are over ten times the size of the gains (11 districts gained a total of $2.7 million while 17 districts lost a total of $31.4 million).

- While there are some exceptions, the second-year block grant funding levels showed considerable stability, with only 5 districts experiencing more than 10 percent change from the previous year's funding level. Where districts lost funds from the first to the seocnd year of the block grant, it was often due in part to either elimination of state discretionary grants or de fact "hold-harmless" weighting factors.

Chapter 2 funds and Desegregation Activities

- Sixteen of the twenty-four districts which had ESAA grants in FY 1981 and two of the four districts that did not receive ESAA funds reported spending at least some portion of their Chapter 2 funds on desegregation-related activities during the 1983-84 school year.

- Overall, desegregation-related projects acounted for 19 percent of the Chapter 2 funding in these districts; by comparison, ESAA in FY 1981 accounted for 54 percent of the antecedent funds. The $11.7 million spent in 1983-84 on desegregation-related assistance in these large districts and cities represents approximately one-quarter the amount spent by these districts two years earlier on desegregation activities with ESAA funds.

Despite these substantial losses, six of the districts spent more on desegregation-related services under Chapter 2 than they had received in ESAA grants in FY 1981.

- The percentages of the Chapter 2 formula grants used for desegregation-related activities ranged from zero percent (in ten districts) up to 100 percent (in Detroit and Milwaukee).

Services to Private Schools

- Approximately 14.3 percent of the total Chapter 2 allocations in school year 1983-84 in these 28 large districts is being used to provide services to private school students. That estimated is consistent both with the Council of the Great City Schools figure for private school services in their 32 urban districts (14.7%) in school year 1982-83, and with the American Association of School Administrators estimate (15.6%) for states with high proportions of private school students.

- While no exact figures are available for private school student participation under the antecedent programs, it is very likely that private school students receive proportionally more services under the block grant than they did under the earlier configuration of categorical programs.

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